

97-84018-22

Guaranty Trust Company
of New York

Investment recommenda-
tions, August, 1918

[New York]

[1918]

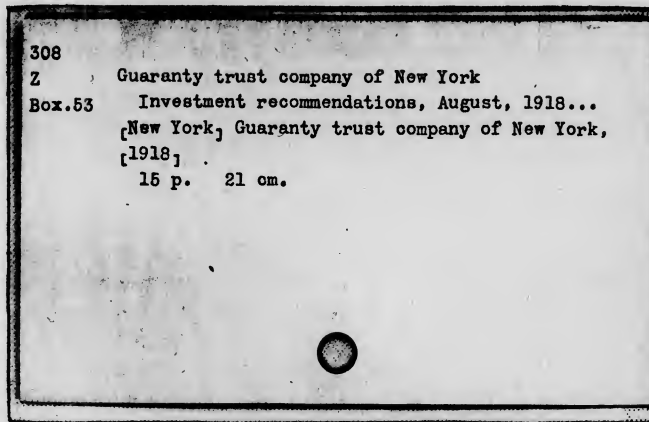
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Investment Recommendations

~~Aug 10~~ 10 1918

Gift of the President.

AUGUST, 1918

Guaranty Trust Company of New York
140 Broadway

FIFTH AVENUE OFFICE
Fifth Avenue and 43rd Street

MADISON AVENUE OFFICE
Madison Avenue and 60th Street

LONDON OFFICE
32 Lombard St., E. C.

PARIS OFFICE
Rue des Italiens, 1 & 3

Investment Recommendations

AUGUST, 1918

For further particulars apply to
GUARANTY TRUST COMPANY
OF NEW YORK
Bond Department
513 Fifth Avenue
New York City

Guaranty Trust Company of New York
140 Broadway

FIFTH AVENUE OFFICE	LONDON OFFICE
Fifth Avenue and 43rd Street	32 Lombard St., E. C.
MADISON AVENUE OFFICE	PARIS OFFICE
Madison Avenue and 60th Street	Rue des Italiens, 1 & 3
Capital and Surplus - - - -	\$50,000,000
Resources more than - - - -	600,000,000

WE recommend for investment the securities described herein.

We do not guarantee the statements and figures presented, but they are taken from sources which we believe to be accurate.

Guaranty Trust Company
of New York

Recommendations

Short Term Bonds and Notes

Security	Rate	Due	Approximate Yield
General Electric Co. Notes	6%	Dec. 1, 1919	5.79
†Union Pacific R. R. Company 10-Year Secured Bonds	6	July 1, 1928	5.97
†Northern Pacific-Great Northern Joint C. B. & Q. Collateral	4	July 1, 1921	6.12
Great Northern Ry. Company Collateral Trust Notes	5	Sept. 1, 1920	6.35
†American Can Company Debenture	5	Feb. 1, 1928	6.42
Westinghouse Elec. & Mfg. Co. Notes	6	Feb. 1, 1919	6.50
United Kingdom of Great Britain and Ireland Secured Notes	5½	Nov. 1, 1919	7.00
American Tel. & Tel. Company Convertible Bonds	6	Aug. 1, 1925	7.10
†Louisville Gas & Elec. Co. First and Refunding	7	June 1, 1923	7.50
†Bethlehem Steel Corporation Serial Secured Notes	7	1919-1923	7.50-7.75
Northern States Power Co. Notes	6	April 1, 1926	7.57
Southern Railway Co. Secured Notes	5	March 2, 1919	8.10
Anglo-French Loan	5	Oct. 15, 1920	8.18
French Republic Secured Convertible Notes	5½	April 1, 1919	8.55

†The Company pays the Normal Federal Income Tax up to 2% if Ownership Certificate No. 1,000 accompanies the coupons or is filed with the paying agent of the registered interest.

Recommendations

Government and Municipal Bonds

Security	Rate	Due	Approximate Yield
*% Liberty Loan	3½%	June 15, 1947	3.51
% Federal Land Bank (Optional May 1, 1923)	5	May 1, 1938	4.35
*††Second Liberty Loan	4	Nov. 15, 1942	4.44
*% Buffalo, New York	4½	1919-1968	4.45
*% New York City	4½	March 1, 1965	4.45
*% New York City	4½	Sept. 1, 1960	4.45
% U. S. Cts. of Indebtedness	4½	Nov. 21, 1918	4.50
*††Third Liberty Loan	4½	Sept. 15, 1928	4.80
% Nashville, Tenn.	5	Dec. 1, 1921	4.80

Railroad and Miscellaneous Bonds

*Pennsylvania R. R. Co. General	4½	June 1, 1965	5.15
Montana Power Company First and Refunding	5	July 1, 1943	5.84
Oregon Short Line R. R. Co. Refunding	4	Dec. 1, 1929	6.10
Midvale Steel and Ordnance Co. Convertible	5	March 1, 1936	6.10
Northern States Power Co. First and Refunding	5	April 1, 1941	6.10
†Liggett & Myers Tobacco Co. Debenture	7	Oct. 1, 1944	6.12
Interborough Rapid Transit Co. First and Refunding	5	Jan. 1, 1966	6.25
Wilson & Company First	6	April 1, 1941	6.45
New York Central R. R. Co. Convertible Debenture	6	May 1, 1935	6.57
Bethlehem Steel Company Purchase Money & Improvement	5	July 1, 1936	6.63
†Southern Pacific Company Convertible Bonds	4	June 1, 1929	6.65

*Legal Investment for Savings Banks and Trustees in New York State.

†Exempt from Federal Income Tax.

††Exempt from Normal Federal Income Tax.

†The Company pays the Normal Federal Income Tax up to 2% if Ownership Certificate No. 1,000 accompanies the coupons or is filed with the paying agent of the registered interest.

Index of Issues Described

Security	Rate	Due	Page
American Tel. & Tel. Co. Convertible Bonds	6%	August 1, 1925	8
†Bethlehem Steel Corporation Serial Secured Notes	7	1919-1923	7
*‡ Buffalo, New York	4½	1919-1968	10
†Louisville Gas & Electric Co. First and Refunding	7	June 1, 1923	15
Montana Power Company First and Refunding	5	July 1, 1943	14
New York Central R. R. Co. Convertible Debenture	6	May 1, 1935	13
*Pennsylvania R. R. Co. General	4½	June 1, 1965	11
†Southern Pacific Company Convertible Bonds	4	June 1, 1929	12
†Union Pacific R. R. Company 10 Yr. Secured Bonds	6	July 1, 1928	9

*Exempt from Federal Income Tax.

†Legal investment for Savings Banks and Trustees in New York State.

‡The Company pays the Normal Federal Income Tax up to 2% if Ownership Certificate No. 1,000 accompanies the coupons or is filed with the paying agent of the registered interest.

Bethlehem Steel Corporation Secured Serial 7% Gold Notes

Dated July 15, 1918. Due Series A, B, C and D, \$7,500,000 each July 15, 1919-1922, inclusive, Series E, \$20,000,000, July 15, 1923.

To be Authorized and Issued \$50,000,000

Principal and interest payable in New York

Coupon notes in denomination of \$1,000; registrable as to principal only. Interest payable January 15 and July 15, without deduction for any tax or Governmental charge except any Federal Income Tax in excess of 2 per cent. per annum. Redeemable at the option of the Corporation at any time upon 30 days' notice, as a whole or in series, (in which event all the notes of one or more of the series first maturing must be called for redemption) at par for Notes maturing 1919 and at a premium for subsequent maturities of ½% for each year (or any part) more to run.

Notes to be convertible at the option of the holder at par into new Bethlehem Steel Corporation Consolidated Mortgage 30-Year Sinking Fund 6% Gold Bonds, Series A, due August 1, 1948, when pledged under the indenture, at a price for said bonds equivalent to a 6½% income basis at the time of such conversion.

BANKERS TRUST COMPANY, TRUSTEE

The Notes are to be direct obligations of Bethlehem Steel Corporation, issued under an indenture in which Bethlehem Steel Company will join, and are to be secured by \$70,000,000 Consolidated Mortgage 30-Year Sinking Fund 6% Gold Bonds, Series A, when issued, and temporarily by other collateral. In addition the indenture securing these Notes will provide that the Corporation will not declare or pay dividends on its Common Stock which would result in reducing the net current assets of the Corporation and its subsidiaries, as defined in the indenture, below the face amount of these Notes then outstanding.

As a result of the present financing, the liquidation of \$37,600,000 British Treasury Bills, due February 1, 1919, and appropriations from earnings, the Corporation will be placed in funds sufficient to complete the construction program upon which it has been working for the past three years, provide adequate additional working capital, and pay off the \$50,000,000 5% Notes of Bethlehem Steel Company maturing February 15, 1919.

EARNINGS AND CHARGES

Years ended December 31,	1915	1916	1917
Gross Sales	\$146,513,795	\$216,284,555	\$298,929,531
Net Earnings (after all Taxes, Maintenance, etc.)	24,821,408	61,717,310	53,979,360
Interest and Proportion of Discount	2,342,596	3,772,556	8,746,982*
Net Income	\$22,478,812	\$57,944,754	\$45,232,378
Depreciation, Depletion, etc.	4,715,999	14,350,786	17,911,641
Balance	\$17,762,813	\$43,593,968	\$27,320,737

(*Of this amount approximately \$2,000,000 was discount.)

It is estimated that for 1918 the combined earnings before payment of taxes and interest charges and before providing for depreciation will approximate \$60,000,000. Present quoted prices of the outstanding stock indicate an equity over and above these Notes of about \$90,000,000.

We offer these Notes, when, as and if issued and received by us, and subject to approval of counsel.

Prices to Yield from 7½% to 7¾%

American Telephone and Telegraph Company

7-Year 6% Convertible Bonds

Dated August 1, 1918

Due August 1, 1925

Interest payable February 1 and August 1. Coupon bonds in denominations of \$100, \$500 and \$1,000, registerable as to principal only.

Convertible at any time after August 1, 1920 into the common stock of the Company upon the surrender of \$100 par value of bonds and the payment of \$6 in cash for each share of stock

OLD COLONY TRUST COMPANY, BOSTON, TRUSTEE

The American Telephone and Telegraph Company owns the Bell long distance telephone systems of the entire country and controls by ownership of a majority of stock practically all the important companies operating throughout the United States. At December 31, 1917, the book value of the assets of the Company and its associated companies making up the Bell System was over \$303,500,000 in excess of all liabilities and capital stock outstanding.

The net income of the American Telephone and Telegraph Company and its disbursements for interest during the last seven-year period have been as follows:

Year ended December 31	Net Income	Interest	Balance
1911	\$33,301,246	\$5,567,980	\$27,733,266
1912	37,907,644	5,844,699	32,062,945
1913	40,576,746	7,656,656	32,920,090
1914	40,557,977	8,223,163	32,334,814
1915	41,117,487	6,498,850	34,618,637
1916	44,743,376	6,730,099	38,013,277
1917	48,940,466	9,281,000*	39,659,466

*Does not include \$1,188,000 paid as interest on obligation for which capital stock has since been issued.

During the last seven years the net income of the Company has averaged 5.76 times the average interest charges.

There has been paid on account of capital stock of the Company nearly \$35,000,000 in excess of the par value of that stock, or \$108 in cash paid in for every \$100 share. Based on the present offering price for the bonds, the conversion privilege will become of value as the stock advances above par. During the last ten years, the stock has sold as high as 153½¢, and in that period did not sell below par until our entrance into the war.

The Company has paid dividends at the rate of at least 7½% per annum on its capital stock for eighteen years and for the last twelve years the rate has been uniformly 8% per annum.

Application will be made to list these bonds on the New York and Boston Stock Exchanges.

Price to Yield About 7.10%

Union Pacific Railroad Company

Ten-Year 6% Secured Gold Bonds

Dated July 1, 1918

Due July 1, 1928

Interest payable January 1 and July 1 without deduction for any tax or taxes (other than Federal Income Taxes in excess of 2% per annum) which the Company or Trustee may be required to pay or retain under any present or future law of the United States or any subdivision. Coupon bonds, \$1,000, registerable as to principal; Fully Registered, \$1,000 and multiples; interchangeable

Authorized \$20,000,000

Outstanding \$20,000,000

UNITED STATES MORTGAGE & TRUST COMPANY, NEW YORK, TRUSTEE

These bonds are direct obligations of the Union Pacific Railroad Company and are secured by deposit with the Trustee of \$30,000,000 face amount of standard railroad bond issues having a present estimated market value of over \$25,000,000.

The collateral pledged includes the following issues:

Chicago & North Western Ry. General 4s and 5s; New York Central R. R. Ref. & Imp. 4½s, Pennsylvania R. R. Cons. 4½s and General 4½s; Southern Pacific R. R. First Ref. 4s; Baltimore & Ohio R. R. Ref. & Gen'l 5s; Illinois Central R. R. and Chicago, St. Louis & New Orleans R. R. Joint First Ref. 5s and Denver Union Terminal Ry. First 4½s.

These securities with the exception of the last two are legal for Savings Banks in New York State.

The Union Pacific Railroad Company is paying dividends of 4% on approximately \$99,500,000 preferred stock, and at the rate of 10% on over \$222,000,000 outstanding common stock.

Application will be made to list these bonds on the New York Stock Exchange.

Price to Yield about 5.97%

City of Buffalo, N. Y.

4½% Registered Bonds

Dated June 1, 1918

Maturities annually, June 1, 1919 to 1968

Principal and semi-annual interest, June 1 and December 1, payable in New York Exchange, or at the office of the Commissioner of Finance and Accounts, Buffalo, N. Y. Registered bonds in denominations of \$1,000 and multiples thereof

Authorized and Outstanding \$1,470,000

Exempt from Federal Income Tax including Surtaxes and from all New York State Taxes except Inheritance Tax.

An individual holder of Municipal Bonds is not required to file a certificate of ownership in the collection of income derived from Municipal Bonds, nor make declaration of such income in the returns.

FINANCIAL STATEMENT

Assessed Valuation for the purpose of taxation.....	\$478,162,935
Total Bonded Debt (including these issues)	\$40,170,356
Less: Water Debt.....	\$12,365,555
General Sinking Fund...	3,541,231† 15,906,786

Net Bonded Debt.....	\$24,263,570
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†There is an additional water debt sinking fund amounting to \$968,017.

Population: Census 1910—423,715

These bonds are issued for River and Street Improvement, School, Park, Water, Police and Fire Department purposes.

Legal investment for Savings Banks in New York, Connecticut, Massachusetts, Maine, Rhode Island, New Hampshire and Vermont, and eligible to secure Postal Savings Deposits.

Legality approved by Messrs. Caldwell and Masslich, New York.

Prices to Yield 4.45%

The Pennsylvania Railroad Company

General Mortgage 4½% Gold Bonds

Dated June 1, 1915

Due June 1, 1965

Interest payable June 1 and December 1

Outstanding \$124,375,000

Coupon bonds in denomination of \$1,000, registerable as to principal and exchangeable for bonds registered as to both principal and interest

Registered bonds re-exchangeable for coupon bonds

GIRARD TRUST COMPANY, PHILADELPHIA, CORPORATE TRUSTEE

The Pennsylvania Railroad General Mortgage covers, subject to prior liens for the retirement of which bonds of this issue are reserved, all the railroad property and leaseholds of The Pennsylvania Railroad Company (excepting certain unimportant leaseholds) including the valuable terminals in Philadelphia, Pittsburgh, Harrisburg, and other places in the State of Pennsylvania, and valuable rolling stock, shops and other equipment owned by the Company.

The authorized total issue of the General Mortgage Bonds is limited at all times to the then outstanding and paid up capital stock of the Company, and the mortgage securing these bonds is in such form and terms as are necessary, in the opinion of counsel, to make the bonds issued thereunder a legal investment for savings banks and life insurance companies under the present laws of the State of New York.

The Pennsylvania Railroad Company reports income account for the last two years as follows:

Year Ended December 31	1916	1917
Gross Operating Revenue.....	\$230,278,533	\$255,093,495
Net Operating Revenue.....	55,056,011	44,284,407
Total Income.....	78,220,874	65,983,652
Fixed Charges.....	25,944,370	26,702,067
Net Income.....	\$52,276,504	\$39,281,585

The Company has outstanding \$499,178,400 capital stock, and has uninterruptedly paid dividends on its outstanding stock since 1856, the present dividend being at the rate of 6% per annum.

Legal investment for Savings Banks in New York, Massachusetts, Connecticut and other States.

Listed on the New York Stock Exchange.

Price to Yield About 5.15%

Southern Pacific Company Convertible 4% Gold Bonds

Dated June 1, 1909

Due June 1, 1929

Interest payable March 1 and September 1

The Company pays the Normal Federal Income Tax up to 2% if Ownership Certificate No. 1000 accompanies the coupons or is filed with the paying agent of the registered interest.

Coupon bonds in denomination of \$1,000, registerable as to principal. Registered bonds in denominations of \$1,000, \$5,000, and \$10,000. Coupon and Registered bonds interchangeable. Redeemable as a whole on any interest date at 105% and interest.

Convertible into common stock at
\$130 per share on or before

June 1, 1919

Authorized \$82,000,000

Outstanding \$80,472,910

GUARANTY TRUST COMPANY OF NEW YORK, TRUSTEE

These bonds are direct obligations of the Southern Pacific Company, whose system of railways approximates 11,000 miles. These lines extend from New Orleans, through Texas, New Mexico, Arizona, California and Oregon to Portland, Oregon, and from San Francisco to Ogden, Utah. The System serves such important cities as New Orleans, Dallas, Fort Worth, Galveston, Houston, El Paso, Los Angeles, San Francisco, Portland and Ogden.

During the past decade this Company has earned an annual average income of over twice all fixed charges and in 1917 charges were earned about 2¼ times.

The stock of the Company, receiving 6% dividends, at present quoted prices indicates an equity in the property junior to this issue in excess of \$228,000,000. For the calendar year 1915 the Company's income applicable to dividends was equal to 10% on the capital stock, in 1916 to 12.63% and in 1917 to 17.65%.

Listed on the New York Stock Exchange.

Price to Yield About 6.65%

The New York Central Railroad Company 6% Convertible Gold Debenture Bonds

Dated May 1, 1915

Due May 1, 1935

Interest payable May 1 and November 1. Coupon \$100, \$500 and \$1,000, registerable as to principal. Fully Registered \$1,000, \$5,000, \$10,000, etc. Coupon and Fully Registered bonds interchangeable.

Redeemable as a whole or in any part not less than
\$5,000,000 on any interest date at
110 and interest

Convertible into Capital Stock of the Company at 105 at any time prior to May 1, 1925

Authorized and Outstanding \$100,000,000

GUARANTY TRUST COMPANY OF NEW YORK, TRUSTEE

These bonds are a direct obligation of The New York Central Railroad Company, formed in 1914 by the consolidation of The New York Central and Hudson River Railroad Company and The Lake Shore and Michigan Southern Railway Company.

As now constituted, the property comprises 6,079 miles of road and 15,774 miles of track.

Earnings of the New York Central System have been reported as follows:

Years Ended December 31,	1916	1917
Gross Operating Revenue.....	\$201,596,807	\$216,267,517
Operating Expenses and Taxes....	138,242,790	164,857,195
Net Operating Revenue.....	\$63,344,017	\$51,410,322
Other Income.....	22,623,429	15,462,704
Gross Income.....	\$85,967,446	\$66,873,026
Interest, Rentals, etc.....	40,308,229	41,273,806
Net Income.....	\$45,659,217	\$25,599,220

The New York Central has paid dividends at the rate of at least 4% per annum since incorporation in 1869.

Listed on the New York Stock Exchange.

Price to Yield About 6.57%.

The Montana Power Company
First and Refunding Mortgage 5% Sinking
Fund Gold Bonds

Dated July 1, 1913

Due July 1, 1943

Interest payable January 1 and July 1 in New York

Coupon bonds of \$100, \$500 and \$1,000, registerable as to principal. Fully registered bonds of \$1,000, \$5,000, \$10,000 and multiples. Coupon and registered bonds are interchangeable. Callable, as a whole, or in part, on any interest date, at 105 and accrued interest

Authorized \$75,000,000

Outstanding \$21,040,000

GUARANTY TRUST COMPANY OF NEW YORK, TRUSTEE

The Company is one of the largest producers of hydro-electric power in the world. It serves with electric light and power the greater part of the population of the State of Montana, including the Butte district and the most important centres of industry in the State. The Company has about 40,000 customers and its business is well diversified. Its numerous power plants are thoroughly interconnected and continuity of service is protected by large storage reservoirs, reducing to a minimum any danger of interruption.

In addition to its well-diversified commercial electric light and power business, the Company is furnishing power under long-term contracts for operation of Butte, Anaconda & Pacific Railway and 438 miles of Chicago, Milwaukee & St. Paul Railway main line.

The mortgage covers all real estate, plants, equipment, rights and franchises now owned or hereafter acquired by the Company, including (either directly or through collateral trust) 13 hydro-electric plants, 1,859 miles of transmission lines and complete distribution systems in the cities of Butte, Great Falls, etc. It is a first mortgage on a substantial part of this property.

Sinking fund is calculated to acquire before maturity about 50% of total bonded debt outstanding as of January 1, 1918, and a substantial part of any bonds issued after that date.

Gross and net earnings for the last five years have shown remarkable growth as follows:

Year Ended	Gross Earnings	Operating Expenses and Taxes	Net Earnings
Dec. 31			
1913	\$3,539,198	\$1,117,774	\$2,421,424
1914	3,775,285	1,139,046	2,639,239
1915	4,359,408	1,191,904	3,167,504
1916	6,244,905	1,491,623	4,753,282
1917	6,912,364	2,023,332	4,889,032

Net earnings for 1917 were more than 3 times the \$1,906,600 annual interest charges on entire present outstanding funded debt.

Company is paying dividends of 7% on \$9,671,800 preferred stock and 5% on \$34,907,500 of its common stock

Listed on the New York Stock Exchange.

Price to Yield About 5.84%.

Louisville Gas and Electric Company
First and Refunding Mortgage Five Year 7% Gold Bonds

Dated June 1, 1918

Due June 1, 1923

Interest payable June 1 and December 1 in New York or Chicago. Principal payable in New York. Redeemable in whole or in part on any interest payment date to and including June 1, 1920 at 103 and interest; thereafter to and including June 1, 1921 at 102 and interest; thereafter to and including June 1, 1922 at 101 and interest and on December 1, 1922 at 100 and interest. Coupon bonds of \$100, \$500 and \$1,000 denominations, with privilege of registration as to principal. The Company will agree to pay interest without deduction for any normal Federal Income Tax up to 2 per cent.

Authorized \$20,000,000

Outstanding \$10,500,000

HARRIS TRUST AND SAVINGS BANK, CHICAGO, TRUSTEE

Louisville Gas and Electric Company and its affiliated companies, operating without competition, directly serve with electric light and power and natural gas the City of Louisville, Kentucky, and several adjacent communities, having a total population estimated in excess of 268,000.

Over 70% of the Company's net earnings is derived from the electric light and power service. Electric energy is generated at the Company's Waterside Station, having a present installed capacity of approximately 43,000 H. P. which, it is anticipated, will be increased during the present year by the installation of an additional 20,000 H. P. unit.

These Bonds will be secured, in the opinion of counsel, by a first lien on the entire property of the Company, subject only to \$3,119,000 Louisville Lighting Company First 5's, which are a first mortgage on the property formerly owned by that company. The First and Refunding Mortgage 7's will therefore be secured by a first lien on more than 75% of the entire property of the Louisville Gas and Electric Company.

EARNINGS AND EXPENSES

Derived from the Operation of Properties Covered by the Mortgage		1917	1918
For Years Ended April 30,			
Gross Earnings.....	\$2,582,176	\$2,958,135	
Operating Expenses, Maintenance and Taxes (Excluding Depreciation).....	1,165,260	1,367,400	
Net Earnings.....	\$1,416,916	\$1,590,735	
Annual Interest Charge on \$13,619,000 Bonds..		890,950	
Balance.....		\$699,785	

The City of Louisville, founded in 1779, one of the oldest and most substantial cities in the middle west, is an important railroad center, being served by eight large railroad systems. Louisville is the distributing center for a large section south of the Ohio River.

The franchise situation is satisfactory. In the opinion of counsel, the duration of the Company's rights under its electric franchise in the city of Louisville is perpetual and the gas franchise expires in 1933.

Price to Yield About 7.50%

MSH 21234

**END OF
TITLE**